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Forty-third session
Geneva, 7 October 1996

Sessional Committee I

DRAFT REPORT OF SESSIONAL COMMITTEE I

Rapporteur: Mr. Rénald Clérismé (Haiti)

INTRODUCTION - AGENDA ITEMS 4 AND 5

Speakers: Chairman
Officer-in-charge, Office of the Coordinator for Least Developed, Land-locked and Island Developing Countries
Bangladesh (for LDCs)
Ethiopia
Sudan
Ireland (for European Union)
Officer-in-charge, Economic Cooperation among Developing Countries and Special Programmes

Note for Delegations

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments - to be submitted in English or French - should be communicated by **Friday, 25 October 1996, at the latest** to:

The UNCTAD Editorial Section
Room E.8106
Fax No. 907 0056
Tel. No. 907 5657 or 5655

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INTRODUCTION

1. At its 875th (opening) plenary meeting, on 7 October 1996, the Trade and Development Board decided to establish a sessional committee of the whole (Sessional Committee I) to consider and report on the following agenda items:

Item 4: Programme of Action for the Least Developed Countries for the 1990s:

(a) Review of implementation of the Programme of Action for the LDCs for the 1990s;

(b) UNCTAD's contribution to the work of relevant international organizations in the implementation of the Uruguay Round Final Act Decision on Measures in Favour of the Least Developed Countries by assisting the LDCs that are WTO members to take maximum advantage of the special and differential measures provided for in the Uruguay Round Agreements

Item 5: UNCTAD's contribution to the implementation of the United Nations New Agenda for the Development of Africa in the 1990s and the role of UNCTAD in the implementation of the United Nations System-wide Special Initiative on Africa

2. At its first meeting, on 7 October 1996, the Sessional Committee elected Mr. Bozorgmehr Ziaran (Islamic Republic of Iran) as its Chairman and Mr. Rénald Clérismé (Haiti) as its Vice-Chairman-cum-Rapporteur.

3. At the first part of the Board's forty-third session, Sessional Committee I held ... formal meetings.

Chapter I

PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990s

(a) REVIEW OF IMPLEMENTATION OF THE PROGRAMME OF ACTION FOR THE LDCS FOR THE 1990s;

(b) UNCTAD'S CONTRIBUTION TO THE WORK OF RELEVANT INTERNATIONAL ORGANIZATIONS IN THE IMPLEMENTATION OF THE URUGUAY ROUND FINAL ACT DECISION ON MEASURES IN FAVOUR OF THE LEAST DEVELOPED COUNTRIES BY ASSISTING THE LDCS THAT ARE WTO MEMBERS TO TAKE MAXIMUM ADVANTAGE OF THE SPECIAL AND DIFFERENTIAL MEASURES PROVIDED FOR IN THE URUGUAY ROUND AGREEMENTS

(Agenda item 4)

4. For its consideration of agenda item 4, the Board had before it the following documentation:

"The Least Developed Countries 1996 Report
The Least Developed Countries 1996 Report: An Addendum"
(TD/B/42(2)/11-UNCTAD/LDC(1996) and Add.1

"Report of the High-level Intergovernmental Meeting on the Mid-term Global Review of the Programme of Action for the Least Developed Countries for the 1990s" (TD/B/LDC/GR/8)

5. The **Chairman** (Islamic Republic of Iran) said that in his overview of The Least Developed Countries 1996 Report, the Secretary-General of UNCTAD noted that, as a group, the LDCs had not fared well in terms of economic development over the last two decades, although some individual countries had made significant progress. The marginalization of a significant number of the LDCs from the mainstream of the world economy was reflected in an array of important economic and social indicators. Globalization and liberalization had profound implications for LDCs in terms of their position in the world economy, their development prospects and the nature of their economic policies. He noted with serious concern that resource flows to LDCs from their major development partners had declined from 0.09 per cent in 1990 to 0.07 per cent in 1994 - less than half the aid targets and commitments set out at the Paris Conference. Such a decline in resource flows would seriously undermine the development efforts of the LDCs and their capacity to attract other forms of development financing. UNCTAD IX called for the expeditious implementation of the agreed menu of aid targets

and/or commitments undertaken in the Programme of Action. He hoped that deliberations of the TDB would contribute to realizing such an objective.

6. He stressed that the heavy external debt burden of the LDCs called for urgent action to substantially reduce the outstanding debt stock. A comprehensive and concerted approach was needed. It was in this spirit that the recent multilateral debt relief initiative by the Bretton Woods institutions was a welcome development.

7. He drew the attention of the Committee to the addendum to the LDCs 1996 Report which addressed the important issue of strengthening the LDCs' capacity for participation in the multilateral trading system. It identified specific programmes which could ease the economic adjustment burden on the LDCs. He looked forward to a useful discussion on that issue and hoped that it would result in timely inputs to the initiative currently under way in the World Trade Organization (WTO) which would be submitted to the Singapore Ministerial Meeting.

8. The **Officer-in-charge, Office of the Special Coordinator for Least Developed, Land-locked and Island Developing Countries** introduced item 4 of the agenda on the Programme of Action for the Least Developed Countries for the 1990s. He said that, as indicated in the LDCs 1996 Report, after many years in which the per capita incomes of some LDCs stagnated and others declined, LDCs' economies displayed some modest progress in 1994 and 1995 when GDP was estimated to have grown at an average rate of 3 per cent. The most notable improvement in economic performance had occurred in the African LDCs where aggregate GDP growth was estimated to have increased to 2.2 per cent in 1995, compared with an annual average growth rate of 0.6 per cent during the period 1990-1994. Referring to external resource flows, he said that the share of LDCs' official development assistance (ODA) in DAC donors' GNP declined from 0.09 per cent in 1990 to 0.07 per cent in 1994 - less than half of the aid targets and commitments set at the Paris Conference, and with fewer donor countries meeting those targets than in 1990. The overall aid outlook remained quite uncertain. The report recommended two broad courses of action in that regard: one was to prioritize LDCs in donors' aid programmes more clearly and the second was to sustain multilateral aid flows to LDCs.

9. The external debt burden remained exceptionally high for most LDCs. At the end of 1994, their total debt stock stood at US$ 128 billion, an estimated 71 per cent of their combined GDP. For almost half the LDCs, the size of the debt stock equalled or exceeded their GDP. Referring to the recent initiatives on bilateral and multilateral debt, he said that a number of least developed countries were likely to benefit from these initiatives.

10. The need to assist the LDCs in meeting the challenges posed by the Uruguay Round Agreements was recognized at the Marrakesh Ministerial Meeting. The LDCs' need for assistance had also been the concern of a number of organizations and forums such as the Mid-term Global Review of the Programme of Action, UNCTAD IX and WTO. The concessions granted to LDCs by the Special and Differential (S&D) treatment clauses and measures in their favour were clearly important and necessary instruments for facilitating their integration, but they did not sufficiently address the major problem facing the LDCs in the new multilateral trading system: the lack of capacity to produce competitively traditional and non-traditional goods and services for both export and domestic markets, which stemmed from their structural weaknesses.

11. For the LDCs to reap the full potential benefit of the Uruguay Round Agreements, concrete and positive action should be directed at two broad areas: measures to overcome, or at least ameliorate, structural weaknesses of the LDCs in order to enhance their trade performance; and effective implementation of the Uruguay Round Agreements, and the expeditious implementation of the S&D provisions and the "Decisions on Measures in Favour of LDCs" and consideration of further S&D treatment.

12. LDC governments had to intensify efforts directed at overcoming their structural weaknesses as well as to continue to implement trade policy reforms. Other issues which ought to be tackled at the national level included human resources development, technological capacity building and improving the productivity and efficiency of agriculture.

13. He referred to the technical cooperation programmes, at the bilateral and multilateral levels, required to complement LDCs' efforts and which could be cast within a short- and long-term framework. The elements of those programmes were elaborated in the addendum to the LDCs 1996 Report. UNCTAD, in collaboration with other multilateral and bilateral institutions, was playing a crucial role in facilitating the integration of the LDCs into the multilateral trading system through joint technical cooperation programmes. He mentioned some of the activities and programmes already under way in this regard.

14. The spokesman for the **Least Developed Countries** (Bangladesh), said that the least developed countries had wide-ranging problems arising out of a combination of both domestic and external factors. These problems and measures to address them had been recognized by the international community. He emphasized that the LDCs, on their part, had been implementing wide-ranging socio-economic and political reforms. They had been pursuing macroeconomic policies aimed at poverty alleviation, acceleration of economic growth and

sustainable development. In spite of these policies, the LDCs had remained economically vulnerable and confronted with the danger of further marginalization, as reflected in The Least Developed Countries 1996 Report.

15. The LDCs' endeavours needed to be supplemented by international support measures. That would be in line with the principles of shared responsibility and strengthened partnership for accelerated growth and development of the LDCs. With a view to enabling the LDCs to cope with the challenges in the aftermath of the Uruguay Round and facilitating their integration into the global trading system, it was necessary to implement fully and expeditiously the Marrakesh Ministerial Declaration in letter and spirit. The international community and multilateral institutions including UNCTAD, WTO and the Bretton Woods institutions, therefore, needed to come forward to render assistance to supplement the LDCs' own efforts. He enumerated several measures which ought to be considered including the proper assessment of gains and losses arising out of the implementation of the Uruguay Round Agreements, the commitment to supportive and flexible application of rules in favour of LDCs, exploring the possibilities of enhancing market access for LDCs, reviewing and rationalizing the notification procedure to enable LDCs to fulfil their obligations, according to the LDCs' supportive treatment in all future negotiations conducted in terms of the Uruguay Round Agreements, extending adequate technical assistance to the LDCs in the form of consultancy services, advisory missions and training facilities and special measures to alleviate the problems of land-locked countries.

16. Referring to the dependence of the LDCs on ODA, he said that the shrinking of ODA from 0.09 per cent in 1992 to 0.7 per cent in 1994 was a matter of serious concern to the LDCs. He expressed the LDCs' deep appreciation to the countries which had met or exceeded the ODA targets and hoped that the ODA target of 0.15 per cent of donors' GNP to LDCs would be fulfilled in the future. He called for adequate and timely funding of multilateral financial institutions and organizations which provided a significant part of the LDCs' external financing and innovative approaches for increasing foreign direct investment (FDI) flows to the LDCs.

17. He said that the debt relief measures taken so far had proved insufficient to reduce the LDCs' liability to a sustainable level. A substantial relief of the LDCs' debt burden would require more vigorous and effective measures on the part of the donor countries and the multilateral financial institutions. He called upon them to consider adoption of appropriate remedial measures, including debt cancellation for all LDCs, irrespective of their level of indebtedness.

18. He called upon developed countries to cooperate in the promotion of economic and technical cooperation between the LDCs and other developing countries through triangular and joint ventures.

19. It was important that UNCTAD, which was the focal point at the global level for the monitoring, follow-up and review of the implementation of the Programme of Action, be provided with the requisite capacity and resources to monitor the outcome of the Mid-term Global Review, as well as the conclusions and recommendations in favour of LDCs adopted by the other major global conferences. He hoped that the restructuring of UNCTAD would not reduce its capacity and resources to deal with LDC matters in a comprehensive and effective manner.

20. The representative of **Ethiopia** referred to the wide-ranging and comprehensive economic and policy reforms implemented by the LDCs to reduce macroeconomic imbalances in their economies. However, many of the constraints imposed on and the challenges facing these countries were structural and not easily overcome in the short term. Following a long period of persistently declining GDP growth and deteriorating per capita income, the growth performance of the LDCs had improved modestly in 1995 and was forecast to continue to improve in 1996. The most notable feature was the marked improvement in the performance of the African LDCs. While higher commodity prices had boosted export earnings and provided an important stimulus to growth in many LDCs, the concern was that such improvements in the terms of trade might only be transitory.

21. He said that the LDCs were concerned with the shrinking level of aid and called upon their development partners to provide a substantial increase in the level of external financial resources to the LDCs in line with the commitments undertaken in the Programme of Action and during the Mid-term Global Review. Their most difficult problem was external debt. Despite some debt relief measures, the level of debt stock and its servicing had severely constrained the development efforts of these countries. Creditor countries and the Bretton Woods institutions should take urgent and effective measures to alleviate the debt problems of the LDCs.

22. Commenting on the economic situation in Ethiopia he said that, following several years of poor economic performance, macroeconomic stabilization and structural adjustment, reforms were implemented to transform the economy from a centrally planned economy into a market economy. Those reforms had shown encouraging results as GDP grew at an average annual rate of 6.5 per cent during the period 1992-1995 after decades of stagnation and decline.

23. He emphasized that the economic policy reforms that the LDCs were undertaking should receive support from the international community to avoid the dangers of marginalization of those countries. UNCTAD had a unique role as a focal point at the global level for the implementation of the Programme of Action for the Least Developed Countries for the 1990s. He welcomed the establishment of the Trust Fund for the LDCs and hoped that it would become operational as soon as possible.

24. The representative of **Sudan** commended the UNCTAD secretariat for the high quality of the LDCs 1996 Report. He said that despite the far-reaching political and economic reforms implemented by the LDCs in the context of structural adjustment programmes, a decisive reversal of the socio-economic deterioration in those countries was not yet in sight. Their development problematique was further compounded by the process of rapid globalization and liberalization. He urged donor countries to expeditiously implement the agreed menu of aid targets and commitments as set out in the Programme of Action and reaffirmed by the Mid-term Global Review. He called upon LDCs' development partners to undertake practical measures to translate the emphasis given by the Heads of States and Governments of the Group of Seven major industrialized countries into concrete and early action, with a view to providing the LDCs with a substantially increased volume of ODA.

25. He noted with keen interest the recent multilateral debt relief initiative by the Bretton Woods institutions. He added that the effectiveness of the initiative would critically depend on the nature of eligibility criteria and emphasized that all debt-distressed LDCs should be brought under this initiative. The debt reduction should be large enough to bring the debt servicing of those countries to sustainable levels. He called upon all creditor countries to fully cancel all bilateral official debt owed by the LDCs.

26. He stressed the need for concrete action to fully and expeditiously implement the Marrakesh Declaration in favour of the LDCs. UNCTAD should continue its work to closely follow the implementation of the commitments of the Uruguay Round Agreements in favour of the LDCs, analyse the impact of the Round on individual LDC economies and make proposals on ways and means to implement the commitments in their favour. UNCTAD should also provide technical assistance to those countries to strengthen their negotiating capacities and ability to implement and derive benefits from the results of the Round.

27. In that regard, he called for the strengthening of the Office of the Special Coordinator for LDCs to enable it to effectively coordinate the sectoral work in favour of the LDCs and monitor the implementation of the Programme of

Action. He also welcomed the establishment of the Trust Fund for LDCs which should be operationalized as soon as possible. He urged the donor countries to generously contribute to the Fund.

28. The representative of **Ireland**, speaking on behalf of the **European Union**, commended the UNCTAD secretariat for preparing and presenting The Least Developed Countries 1996 Report which gave a comprehensive overview of developments in and affecting the LDCs. The Report was a reminder of the rich resource of analysis and information available to the UNCTAD secretariat. He said that the European Union (EU) would not be making a lengthy formal statement as it wanted to move away from such exchanges to a wider more open debate. He stressed the importance the EU attached to the review of the Implementation of the Programme of Action and said that it looked forward to contributing to the evolving debate on this important issue. The EU believed that it was important to focus on the situation and needs of the LDCs and looked for action-oriented results. The EU particularly welcomed the fact that UNCTAD IX had called for priority to be accorded to the LDCs in UNCTAD's technical assistance and substantive policy work. The EU hoped that the outcome of the deliberations of the Committee would set the tone for the work for the coming year and would reflect the working of the new UNCTAD instituted by member States.

Chapter II

UNCTAD'S CONTRIBUTION TO THE IMPLEMENTATION OF THE UNITED NATIONS NEW AGENDA FOR THE DEVELOPMENT OF AFRICA IN THE 1990s AND THE ROLE OF UNCTAD IN THE IMPLEMENTATION OF THE UNITED NATIONS SYSTEM-WIDE SPECIAL INITIATIVE ON AFRICA

(Agenda item 5)

29. For its consideration of agenda item 5, the Board had before it the following documentation:

Report by the UNCTAD secretariat (TD/B/43/6).

30. The **Officer-in-charge of the Economic Cooperation among Developing Countries and Special Programmes**, commenting on agenda item 5 reminded the committee that, in accordance with the final outcome of UNCTAD IX, the Board would review, at its annual session, progress in the implementation of the United Nations New Agenda for the Development of Africa. He briefly presented the secretariat's document on this agenda item (document TD/B/43(6)). The secretariat's document covered UNCTAD activities that address the African situation in the areas of policy research, analysis and technical cooperation.

31. The progress report before the Board took into account three factors. First, that this session of the Board would provide Board members with the first opportunity, following UNCTAD IX, to consider the relevant and/or the necessary reorientations of UNCTAD's contribution to the implementation of the New Agenda. Secondly, that the General Assembly, in its current session, was undertaking the mid-term review of the New Agenda. Finally, that the Board might wish to consider implications for UNCTAD's work of the United Nations System-wide Special Initiative on Africa.

32. He then gave a brief summary of the latest trends and developments in the socio-economic performances of African countries. Noting that the African continent was vast and, therefore, did not fit the generalizations made for all its countries, he pointed out that some African countries were moving ahead with economic reforms and showing signs of progress. The question for those countries was the sustainability of such progress. In other countries, however, reforms had proved to be more difficult. Some countries were faced with massive socio-economic problems, including the difficult political and institutional transitions that were necessary for good economic performance.

33. He expressed hope that the international community would intensify its efforts in providing assistance to the African countries. The resources needed for the socio-economic transformation of Africa could not come solely from the African people - most of whom were marginalized and led subsistence lives - but should come from governments and multilateral financial banking institutions. UNCTAD's primary objective was to ensure that such assistance was given in the context of sustainable and equitable growth and development in tandem with sound policy and technical assistance. UNCTAD would also play its full part in the implementation of the United Nations Special Initiative on Africa, particularly in the areas of trade, investment and development in general.

34. In conclusion, he pointed out that the most important tasks he had carried out were the effective implementation of the various programmes and set of activities already identified by the Board, particularly in the areas of economic integration and cooperation, investment promotion and sustainable development.

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Sessional Committee I

DRAFT REPORT OF SESSIONAL COMMITTEE I

Rapporteur: Mr. Rénald Clérismé (Haiti)

ITEM 4 (continued)

Speakers: Japan
Norway
Ireland (for European Union)
Bhutan
China
European Community
Bangladesh
Russian Federation
Switzerland

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Chapter I

PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990s

(a) REVIEW OF IMPLEMENTATION OF THE PROGRAMME OF ACTION FOR THE LDCS FOR THE 1990s;

(b) UNCTAD'S CONTRIBUTION TO THE WORK OF RELEVANT INTERNATIONAL ORGANIZATIONS IN THE IMPLEMENTATION OF THE URUGUAY ROUND FINAL ACT DECISION ON MEASURES IN FAVOUR OF THE LEAST DEVELOPED COUNTRIES BY ASSISTING THE LDCS THAT ARE WTO MEMBERS TO TAKE MAXIMUM ADVANTAGE OF THE SPECIAL AND DIFFERENTIAL MEASURES PROVIDED FOR IN THE URUGUAY ROUND AGREEMENTS

(Agenda item 4)

(continued)

35. The **Chairman** briefed the meeting on the Panel discussion. (See annex below).

36. The representative of **Japan** said that further integration of LDCs into the global economy was one of the most important issues to be tackled in the processes of the globalization and liberalization of the world economy. Development should be promoted through a comprehensive approach that includes the resources and political will of both traditional and new donors including the new additional domestic resources of the recipient countries. He commended the LDCs Report 1996 on its extremely informative and educational approach on its monitoring of the trends in LDCs' economic performance, as well as on its analytical comparative assessment with respect to developed as well as developing countries. The Report particularly underscored the importance of solving the supply-side constraints in LDCs in order to integrate them into the global economy. He emphasized the need for fuller analyses of the successful experiences of strong-growth LDCs from the viewpoint of alleviating or removing supply-side constraints. He proposed to intensify South-South cooperation as a possible additional means of export promotion for developing countries, particularly LDCs.

37. While the total volume of ODA from all DAC donor countries had been decreasing recently, Japan's ODA to LDCs in 1995 increased by 9.3 per cent against that of 1994. He reiterated the importance of the South-South cooperation framework, as one of the significant means of integrating LDCs into the world economy. Japan was determined to support actively this kind of

cooperation. Japan recognized the significance of establishing the Trust Fund for LDCs at UNCTAD and would contribute only to concrete schemes of the Fund. He recommended that its activities should include strengthening South-LDC cooperation.

38. The representative of **Norway** recalled that at UNCTAD IX, it had been decided that the situation of the LDCs should be a priority issue in the work of the organization. In a time of dwindling resources to the UN system and to development, it was very important that efforts were targeted towards the LDCs. UNCTAD's special role for the LDCs within the inter-agency system was based on its responsibility to monitor the implementation of the Programme of Action for the LDCs. This is a task that UNCTAD does well. The annual LDC Report continued to be a well-researched and important reference document for organizations and individuals who sought information on the current economic situation of LDCs. The unit producing the report deserved credit for its work. The Norwegian Government had undertaken a major review of general policies towards development in the last few years. A Government white paper on "A World of Change" was presented last year, and was the subject of a comprehensive evaluation by Parliament. He summed up some of the policies of his Government that might be relevant to the discussion, which included the following:

(a) Norway would maintain a high ODA contribution, well above the 0.7 per cent target. According to the budget proposal presented to Parliament last week, it proposed to increase ODA by some 7.4 per cent in 1997; the general orientation of Norway's development policies towards poverty-related policies, programmes and projects would be reinforced; Norway would continue to fulfil its obligations to the targets of the Paris Programme of Action of at least 20 per cent of its ODA to LDCs;

(b) It would continue other efforts to ensure that development resources were directed towards the most needy, i.e. through the implementation of the 20/20 principle; Norway would continue to support travel arrangements that could enable LDC representatives to take part in UNCTAD's work. It looked to other donors to do more in that respect; Norway strongly supported efforts to integrate the LDCs more directly into the world economy, i.e. through the global trading system. It had initiated a WTO fund to support greater LDC implementation and participation. It had encouraged the WTO to cooperate closely with UNCTAD and ITC in that respect; Norway was in the process of proposing to Parliament the establishment of a Norwegian fund for investments in developing countries. The

objective will be to support enterprise development. This would be particularly relevant to African LDCs.

39. He emphasized that the real test of the reorganization of the secretariat was the degree to which LDC issues were integrated into the four new secretariat divisions. That was where the translation of UNCTAD's valuable analytical work to policy formulation ought to take place.

40. He said that the new Commission on Investment, Enterprise Development and Technology had a particularly important task to investigate how more foreign direct investments could be encouraged to flow towards the LDCs, and to help LDCs set up policies and programmes conducive to foreign investments.

41. The representative of **Ireland**, speaking on behalf of the **European Union**, said that the risk of marginalization of LDCs was and would remain a focus of attention for the EU. It saw the particular problems of LDCs as central to all of UNCTAD's activity and a point that ought to be addressed at all discussions and not solely at the Sessional Committee. The EU urged the Secretariat to begin to deepen its analysis of the key issues confronting LDCs as soon as possible. The TDB should ask the Commissions to pay special attention to the problems confronting LDCs in carrying out their tasks. The Commissions' reports to next year's TDB should, whenever possible, focus on issues of direct relevance to LDCs.

42. The EU currently accounted for about half of the world ODA to the LDCs. Within the EU total, the European Community as such contributed about $1.35 billion in ODA, making it one of the largest individual contributors of aid to the LDCs. The successful conclusion in 1995 of the mid-term revision negotiations of the Fourth Lomé Convention for the African Caribbean and Pacific partner countries, of which 39 are least developed countries, with a 22 per cent increase in funding over the previous five-year period, meant that those countries could look forward to an increased flow from the European Community over the next five years.

43. He welcomed the currently improving performance of LDCs' exports. The EU was the LDCs' major trading partner accounting for over one-third of their exports and offering roughly three-quarters of their preferential export markets. It would be worthwhile to examine the causes of decline in LDCs' exports and consider what policy approaches might contribute to improving LDCs' competitiveness as commodity producers and reversing the declining market share.

44. Flows of foreign direct investment to the LDCs had seen a rising tendency although their share in FDI flows to developing countries as a whole had declined. UNCTAD ought to probe deeper into the reasons why LDCs continued to lag behind in relation to FDI flows, and to examine in greater detail the measures to reverse that trend, drawing on the experience of this year's high-level segment.

45. The EU had actively pursued approaches to respond to the debt problems of the least developed countries as called for in the New York Mid-Term Review. It had welcomed the successful outcome of the meeting of the Development and Interim Committees of the World Bank and the IMF, where a framework for action to resolve the debt problems of heavily indebted poor countries had been achieved. That would undoubtedly be of major benefit to many LDCs over the next decade and he looked forward to its speedy implementation.

46. The representative of **Bhutan** said that although much had already been said about the need to assist the LDCs to prevent their further marginalization, that expressed commitment had not been matched by concrete actions. If actions at the national level were to be sustained and yield their intended results, international supportive measures ought to be forthcoming in a true spirit of partnership for development. He hoped that the Trust Fund for LDCs would result in strengthening UNCTAD's activities for those countries. The effectiveness and impact of the Fund would depend largely on the financial resources made available to it, and urged all donors to contribute generously. He said that UNCTAD was the only forum where issues pertaining to LDCs were dealt with in a comprehensive manner. He hoped that the entity dealing with LDC issues within the UNCTAD secretariat would be adequately equipped to enable it to effectively carry out the tasks assigned to it at Midrand. In that regard, he awaited the speedy confirmation of the appointment of the Special Coordinator. With his/her appointment, he looked forward to the formulation of focused and substantive strategies that would address the specific needs and problems of the LDCs.

47. He called upon the Singapore WTO Ministerial Meeting to adopt a comprehensive Plan of Action for the LDCs containing concrete measures in the areas of market access, FDI, capacity-building and operationalization of the Marrakesh Ministerial Declaration/Decisions.

48. The representative of **China** said that the present session of the Board was the first opportunity to examine the international support measures adopted in favour of LDCs, particularly those of the High-level Intergovernmental Meeting on the Mid-term Global Review. The international community had committed itself to help LDCs to better integrate in the world economy and the international

trading system. The development performance of LDCs in the first half of the decade had been far from realizing the objectives of the Programme of Action. He referred to the decline of ODA flows to LDCs in 1995 and called for their increase. Referring to the external debt problems of the LDCs, he said that there had been considerable progress but that they were still far from meeting those countries' needs, and called for urgent measures to overcome this problem. He emphasized the need to increase the capacity and capability of LDCs to enhance their participation in international trade and to resolve their transitional problems. Special and differential treatment should be provided to LDCs in accordance with the rules and regulations of the Uruguay Round Agreements. Commenting on the LDCs 1996 Report, he said it deserved in-depth examination by LDCs and their development partners, and that appropriate measures should be taken on the basis of its findings and recommendations.

49. The representative of the **European Community** said that UNCTAD should devote higher priority to the least developed countries in its technical assistance and analytical work on trade matters. At an appropriate moment, the UNCTAD secretariat could establish a balance sheet of what had been done in that field to implement the Paris Programme of Action and the outcome of the New York Mid-Term Review.

50. The European Union constituted the least developed countries' largest export market, accounting for 34.5 per cent of their exports in 1994. The European Union also provided the greater part of the LDCs' preferential export markets through the Lomé Convention for 39 out of the 48 LDCs and the revised, and for the LDCs, much improved GSP scheme, for the other nine countries. Those schemes provided for unlimited access to the EU markets for almost all non-agricultural goods and many agricultural products at zero duty and for highly preferential access in the agricultural products. Other countries could provide more preferential treatment of LDCs' exports.

51. The recently revised Lomé Convention extended preferential market access. It also paid greater attention to the very important area of trade development, and both the EU and ACP countries were committed to devote adequate resources to the expansion of ACP trade. In that context, attention would be given to the development of the private sector, appropriate economic policies, development of infrastructure, improvement of import regimes, transportation and services needed for exports.

52. He congratulated UNCTAD for its contributions and participation in the work of the WTO Committee on Trade and Development and the Sub-Committee on LDCs and for the collaboration and coordination that were thus being established mainly

in terms of technical assistance. The results of those reviews indicated that in most of the areas covered by the Decision, progress had been made but that reflection should be pursued on what more could be done.

53. He considered that further efforts for preferential policies and liberalization in favour of the least developed countries should continue in a multilateral framework, with a view to providing long-term stable export opportunities. Not only the industrialized economies, but also the more advanced developing countries, should participate and contribute in that operation, by taking measures designed to facilitate access to their markets by the LDCs.

54. The representative of **Bangladesh** said that in recent years there had been a significant shift in government policy. Narrow and inward-looking import-substitution industrialization strategy had gradually been replaced by a broad and outward-looking export-oriented industrialization programme reliant on private enterprises. That had resulted in lowered levels of protection for the domestic industry and easier access to importers of industrial raw materials. Privatization of many state-owned enterprises, progressively diminishing state intervention for marketing of agricultural inputs and an increasingly important role for the market forces in determining key economic variables had been the salient features of this new economic policy.

55. However, the opening up of the economy, along with the liberalization of trade as a part of the process of implementation of Uruguay Round decisions, and WTO stipulations, had been the causes of an increasingly adverse balance-of-payments situation with its effect on exchange rate and development. Consequent to the low tariff rates, imports had increased while economic development and exports had been circumscribed by, in addition to other causes, exogenous factors including the restrictive policy of other countries coupled with the sluggish and diminished flow of both private and official funds.

56. He said that Bangladesh had adopted a very liberal investment policy under which 100 per cent foreign equity was allowed for investment, along with guarantees for repatriation of profit. The private sector could also set up export-processing zones on their own. Despite all such steps, FDI flow had been most disappointing. He also enumerated recent trends in Bangladesh GDP growth rate, exports and imports.

57. Referring to the implications of globalization, he said that globalization contained an incipient threat of marginalization of LDCs. He cautioned the meeting about attempts to introduce new issues such as labour standards, competition policy, environmental standards, investment treaty, etc. within the

ambit of WTO with its implication of cross retaliation. The attempts to conjoin such non-trade related issues with the regulations of WTO was likely to constrict world trade and could lead to protectionism.

58. He appealed to developed countries and countries at a higher level of development than LDCs to discharge their part of the "shared responsibility" for alleviating the problems of the LDCs, including arresting further deterioration in the socio-economic situation of such countries and to reactivate and accelerate growth, a commitment which had reverberated throughout the deliberations at Paris, Marakkesh, Lyon and New York.

59. The representative of the **Russian Federation** pointed out that his country considered the Programme of Action for the Least Developed Countries for the 1990s as an agreed international strategy for resolving one of the global problems of mankind. He stressed that Russia totally supported all crucial recommendations of the Mid-Term Global Review on the Implementation of the Programme, as well as relevant recommendations of UNCTAD IX and the Lyon Summit. Despite the enormous difficulties of the transitional period, it would continue to cooperate with LDCs. For example, the Russian Federation continued to import from LDCs on a duty-free basis, and provided technical assistance in mining, development of oil and gas industries, harbour facilities, etc.

60. He stated that, during the last two to three years, Russia had been reviving its economic relations with the LDCs and seeking to establish new mutually beneficial forms of relations with them. He underlined the importance of reactivating the Russian-LDCs bilateral intergovernmental commissions on economic, trade and technological cooperation, as well as increasing contacts between the Russian Chamber of Commerce and Industry and the homologous organizations of a number of LDCs. He said that Russia was in a position to provide assistance to LDCs in a number of areas of goods and services which they needed.

61. He considered the indebtedness of LDCs as a restraining factor for increasing cooperation. In that connection, he said that his Government was following with interest the Paris Club efforts and the World Bank-IMF Initiative on debt relief for the poorest countries. He stressed that his Government completely supports UNCTAD's efforts towards sustainable development of the LDCs. He added that Russia welcomed, in principle, the idea of the establishment of the Trust Fund for the LDCs and also the decision to establish the Office of the Special Coordinator for Least Developed, Land-locked and Island Developing Countries. The Russian Federation gave particular importance to that initiative

in view of the fact that a number of LDCs were Russia's traditional economic partners and a number of landlocked countries were constituent members of CIS.

62. He concluded by saying that the Russian Federation would continue to support LDCs' cause in UNCTAD and in all international forums.

63. The representative of **Switzerland** said that following UNCTAD-IX, UNCTAD was in a position to make a decisive impact on assisting LDCs in their efforts towards reaching sustainable development and towards integration into the world economy and the world trading system. It was agreed at Midrand that the future activities of UNCTAD should be focused on the needs of LDCs. The next important step would be to ensure that that statement would be translated into useful action.

64. He reviewed recent improvements in the overall economic situation of the LDCs, the decline in ODA and uncertain ODA prospects, and the recent debt initiative for the heavily indebted poor countries. He mentioned that at the Lyon Summit, the G-7 had committed itself to reverse the trend of marginalization of LDCs, to continue to provide substantial official assistance and to focus assistance increasingly on LDCs, which he strongly supported.

65. He also mentioned the following areas for further action in LDCs: trade diversification, regional cooperation and conflict prevention. National measures by LDCs should prioritize trade-policy reforms, human resource development and capacity-building in technology.

66. As regards UNCTAD's future role in the support of LDCs, he said his delegation was convinced that the distinction made in the Addendum to the LDCs 1996 Report between a "priority needs package" on a short-term basis and long-term assistance in the area of trade-related support to LDCs was appropriate. In his view, the measures foreseen in the first category should be implemented mainly through the technical cooperation programmes of WTO and UNCTAD's "Trade Point" programmes. With regard to the category of long-term financial and technical assistance, UNCTAD's technical programme could make an essential contribution in the area of regional cooperation and trade promotion. For that purpose, however, the share of LDCs in UNCTAD's technical cooperation programme needed to be substantially increased. That share had dropped from 42 per cent in 1989 to 28 per cent in 1995. After having committed itself at the UNCTAD-IX Conference to focus its activities, above all, on the needs of LDCs, the organization should increase the LDCs' share in its technical cooperation programme in order to retain the credibility it had gained at Midrand. He

highlighted the coordination among concerned organizations in providing support to LDCs.

67. Switzerland supported the implementation of country-based programmes. It was in the process of revising its GSP. Under the new system, products from all developing countries, in particular LDCs, would benefit from a substantially improved market access. The Swiss authorities were willing to provide beneficiary countries with up-to-date information on the revised GSP after its adoption at the beginning of next year.

68. He called upon UNCTAD to carefully analyse the impact of the implementation of the Uruguay Round on developing countries, in particular LDCs. UNCTAD could also play an important role in assisting LDCs in participating in the multilateral trading system.

Annex

Report of the Chairman of Sessional Committee I on the work of the Panel Meeting on agenda item 4

8 October 1996

Participating panellists:

Ambassador Nacer BENJELLOUN-TOUIMI of Morocco, Chairman of the Trade and Development Committee of the WTO;

Ambassador Anwar HASHIM of Bangladesh, Coordinator of LDCs in Geneva;

Ambassador Ali Said MCHUMO of the United Republic of Tanzania;

Mr. J. SEADE, Deputy Director-General of the WTO;

Mr. Grant TAPLIN, Assistant Director of the IMF.

Discussions at the Panel centred on the Plan of Action for LDCs being drafted within the WTO and the recent initiatives of the World Bank and IMF on resolving the debt problem of the heavily indebted poor countries. I wish to highlight some of the important points which have emerged from these discussions.

It was noted that the Plan of Action, if appropriately elaborated and implemented, will contribute to enhancing trading prospects of LDCs, and their speedy integration into today's rapidly globalizing and liberalizing world economy and trade. Alleviation of debt, likewise, will help in freeing scarce resources for LDCs which, in turn, could help in the process of adjustment and reform to overcome structural and supply-side weaknesses.

The WTO Plan of Action is expected to comprise three elements: improving market access conditions; encouraging FDI flow; and coordination and cooperation among concerned international organizations in implementing the Plan. The draft will be presented at the first Ministerial Meeting of the WTO to be held in Singapore in December this year. A Ministerial Meeting of LDCs will be convened next month to assist these countries to prepare for the Singapore Ministerial Meeting. Following this Meeting, a high-level meeting will be convened by WTO to consider the collaboration and coordination among WTO, UNCTAD, ITC, the World Bank and IMF in the implementation of the Plan of Action for LDCs.

It was pointed out by some participants that the WTO Plan of Action would be an important instrument in enhancing market access of LDCs, but in itself may not guarantee export expansion. The Plan would need to be complemented by actions aimed at overcoming supply-side impediments by putting in place the necessary human, physical and institutional infrastructure, upgrading technological capacity, and providing support to improving trade and related policies. The need for technical assistance and financial support was cited in resolving longer-term constraints.

Ongoing collaboration between UNCTAD and WTO in providing technical assistance to LDCs in the area of trade was highlighted. It was underscored that UNCTAD and WTO should work in tandem in elaborating specific actions and their implementation. Some Panellists emphasized that technical assistance should not be limited to seminars and providing experts, but help to address the fundamental problems which limit the production capacity in LDCs. Such assistance needs to be tailored to the specific requirements of each LDC. A multidisciplinary approach was required in the assistance programmes for the LDCs.

The Panel meeting addressed the question of FDI to LDCs. Most LDCs have put in place liberal policies to attract FDI. However, the volume of FDI to these countries has remained scanty. Some participants noted that the problem was not with policies, but with the structural weaknesses in LDCs. Foreign investors prefer to invest in countries with better infrastructure, which are not available in LDCs. They recommended that the developed countries, more advanced developing countries and concerned international organizations should work together to encourage FDI to LDCs.

The Panel also discussed the recent initiative by the World Bank and the International Monetary Fund on the debt of the heavily indebted poor countries, or HIPCs. Of the 41 countries identified as HIPCs, 29 are LDCs. The Panel was informed that the initiative is designed to resolve the debt problems of HIPCs by reducing the external debt burden to sustainable levels, so as to ensure that adjustment and reforms in these countries are not exposed to risks arising from indebtedness. Action under this initiative will be envisaged only when the debtor country has shown, through a good track record of policy performance, its ability to put the support provided to good use. The initiative will cost an estimated $5.5 billion and will be financed out of IMF's Enhanced Structural Adjustment Facility, World Bank funds and the Paris Club, which is to provide up to 80 per cent in debt relief. The operations may not involve less conditionality for the participating debtor countries.

As Chairman of the Panel meeting, I proposed to initiate consultations, within the framework of an open-ended group of the Sessional Committee members, with a view to preparing the conclusions of this Committee's work on item 4. It is my wish to begin these consultations as early as possible.

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Sessional Committee I

DRAFT REPORT OF SESSIONAL COMMITTEE I

Rapporteur: Mr. Rénald Clérismé (Haiti)

ITEM 5 (continued)

Speakers: Nigeria (for African Group)
Ireland (for European Union)
China
Japan
Islamic Republic of Iran

Note for Delegations

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments - to be submitted in English or French - should be communicated by **Friday, 25 October 1996, at the latest** to:

The UNCTAD Editorial Section
Room E.8106
Fax No. 907 0056
Tel. No. 907 5657 or 5655

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Chapter II

UNCTAD'S CONTRIBUTION TO THE IMPLEMENTATION OF THE UNITED NATIONS NEW AGENDA FOR THE DEVELOPMENT OF AFRICA IN THE 1990s AND THE ROLE OF UNCTAD IN THE IMPLEMENTATION OF THE UNITED NATIONS SYSTEM-WIDE SPECIAL INITIATIVE ON AFRICA

(Agenda item 5)

(continued)

69. The spokesman for the **African Group** (Nigeria) said that Africa was a continent beset by economic and social crises despite its abundant natural resources and all the efforts exerted for development. The various special programmes initiated by international organizations had not made any meaningful impact. The continent continued to suffer from economic decline, falling per capita income and worsening social conditions. The high annual rate of population growth exacerbated the situation.

70. In an endeavour to halt or reverse this situation, many African countries had pursued economic reforms for more than a decade. These were designed to correct fundamental economic imbalances and support the development of the private sector. However, the expected gains, such as increased foreign direct investment in Africa, had not materialized. In spite of all these setbacks, African countries had pressed ahead with efforts to facilitate the effective development and utilization of human resources, harness their vast natural resources, mobilize both domestic and foreign financial resources for development and strengthen regional and subregional cooperation and integration.

71. He reminded the Board that the establishment of the UN-NADAF was meant primarily to focus attention on the development needs of African countries in order to provide supportive actions in line with Africa's priorities and to stimulate the political support needed to ensure that timely action was taken to remove some of the obstacles for development in Africa. He said that the objective of the UN-NADAF, however, had not been achieved.

72. Of particular concern was Africa's debt which stood at US$ 317 billion. He acknowledged that the creditors had addressed the debt issue to some extent through concessional bilateral arrangements, support to the IDA buy-back facility and adoption of the Naples Terms. External debt, however, remained a major constraint to Africa's development.

73. Africa's economic structures prevented a smooth progress and integration into the global economy. Africa also continued to fail to attract sufficient levels of foreign direct investment. He called upon UNCTAD to implement the programme of activities for investment promotion already identified by the Board. In addition, there was a need to facilitate the development of the physical infrastructure.

74. He concluded by reiterating that the UN-NADAF had not, in any way, achieved its primary objectives. The much expected international political support that could encourage the inflow of investment and financial flows had been disappointing. He called upon the international community to come up with concrete actions in the provision of assistance to Africa in: market access; commodity diversification; foreign direct investment; development of small- and medium-size enterprises; regional integration; and development of relevant technology, as well as infrastructural development. He called for a new form of development partnership that was more focused on policies and programmes and the development of local capacities.

75. The representative of **Ireland**, speaking on behalf of the **European Union**, reaffirmed the European Union's commitment to the development of Africa. She said that the New Agenda had helped to raise political awareness about the special situation of Africa. She said that the UN System-wide Special Initiative for Africa was a means through which a coordinated approach could be taken to implement the objectives of UN-NADAF.

76. The major challenge ahead was the integration of African economies, especially the least developed countries, into the world trading system, against a background where the share of world trade of the poorest countries had fallen significantly in recent years.

77. She pointed out that under the Lomé Convention all industrial products and most agricultural products originating from African member States had guaranteed free access to the European Union market. The Lomé IV Convention further granted concessions for agricultural products and more favourable rules of origin for industrial products.

78. In addition, she stated that her group recognized that debt relief measures were an essential part of any strategy aimed at restoring the economic viability of the poorest and most heavily indebted countries.

79. On the Special Initiative for Africa, she said that her group welcomed the fact that the initiative was to focus, coordinate and enhance the effectiveness

of the work of United Nations agencies in Africa. She also welcomed the close involvement of the Bretton Woods Institutions and the African Development Bank. The European Union strongly agreed with the emphasis of the Special Initiative on strengthening the delivery capacity of African countries in the social sectors and satisfying the basic needs of their populations.

80. It was important, however, to recognize that many projects and initiatives, promoted by national governments with the support of the donor community, already existed in Africa. In developing programmes at the country level, these needed to be taken into account. There should be a full understanding of the sectoral needs, priorities and capacities and respect for the recipient governments' ownership of their development programmes.

81. She called upon UNCTAD to provide assistance to African countries in dealing with the administrative and procedural causes of the still excessively high transport and transactions costs associated with internal and external trade in Africa. UNCTAD could also help in strengthening African countries' capacity to manage newly competitive markets in transport, communications and the supply of public utility services so that these countries could benefit to the maximum from the opportunities opened to them by the advent of new technologies and by the privatization of their parastatals and liberalization of their markets.

82. She concluded by saying that the European Union wanted to work in a genuine spirit of partnership with African countries as well as with other developed and newly industrialized countries. The European Union wanted focus and coherence in the way the international community addressed the issues.

83. The representative of **China** said that this was the first occasion for the Board, after UNCTAD IX, to review progress in the implementation of the New Agenda for the Development Africa in the 1990s. UN-NADAF had made some progress and some countries had made progress in key areas. He added, however, that a great deal still remained to be done to put the African countries on the path of sustainable development. The share of Africa in world output and also in trade had shrunk. UNCTAD had to intensify its efforts in the implementation of UN-NADAF and the Special Initiative on Africa. He said that China attached great importance to economic ties with Africa and that it had provided assistance to Africa in various ways. China would continue to seek mutually beneficial cooperative arrangements with African countries. His country would encourage Chinese companies to cooperate with Africa. He was optimistic that Africa's own great efforts would produce positive results and ensure a bright future for the continent.

84. The representative of **Japan** noted that Africa faced a continuously deteriorating economic and social situation. This was attributable not only to economic problems but also to natural and man-made disasters such as drought, famine, widespread civil strife and political instability in various parts of the continent. He pointed out that there had been some successes, however, particularly in Southern Africa where some countries had achieved national reconciliation and democratization.

85. The Government of Japan had taken a number of initiatives in favour of African countries. First, there was the Tokyo Conference on International Development (TICAD) in 1993 which reaffirmed that African development was a global priority and that it was important to place at the centre of African development strategies of self-reliance, including good governance and reforms in both the political and economic fields. This conference had been followed up by the Asia-Africa Forum in 1994 held in Indonesia, and regional workshops held in Zimbabwe in 1995 and in the Côte d'Ivoire this year, with a view to facilitating efforts to transfer some of the useful experience and lessons acquired during the process of Asian development. Japan also organized several international seminars in Tokyo on new development strategies.

86. Regarding future initiatives, at UNCTAD IX Japan had given a clear statement on future activities. TICAD II would be held in 1998. Japan had also decided to undertake a series of programmes to assist Africa's efforts in human development, including those in the fields of health and education. He called upon the international community to make special efforts in favour of Africa in the areas of health, strengthening of the private enterprise and in South-South cooperation. His Government was prepared to provide assistance for the health sector. With regard to the development of the private sector, Japan was contributing US$ 300,000 for a project seeking to examine the replicability of the East-Asian experience in Africa. Japan was also contributing US$ 450,000 for technical cooperation in the commodities sector, and was also allocating US$ 2 million out of its contribution to the Japan Human Resources Development Fund at UNDP to promoting South-South cooperation.

87. He concluded by expressing hope that through joint efforts it would be possible to identify ways and means of operationalizing the principles and norms contained in UN-NADAF.

88. The representative of the **Islamic Republic of Iran** recalled that there had been a useful and fruitful discussion of the African situation and UN-NADAF at the informal session organized by the Chairman. He had noted with great interest the intervention of the Japanese delegation which had presented specific

indications of what the Government of Japan had done in favour of African countries. He said that in the post-UNCTAD IX period, his delegation hoped that more of the members of the donor community would undertake similar activities for the benefit of the African countries.

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Sessional Committee I

PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990s

Draft agreed conclusions

1. The Programme of Action for the Least Developed Countries for the 1990s and the outcome of its Mid-term Global Review have recommended policies and measures at the national and international levels to address the danger of further marginalization of these countries in the international trading system. Also, the Ninth Session of the United Nations Conference on Trade and Development outlined actions to promote integration of LDCs into the rapidly globalizing and liberalizing world economy. In elaborating these measures, special attention was given to help enabling LDCs to maximise their potential opportunities and minimizing possible risks arising from the Uruguay Round Agreements (URAs).

2. Strengthening the capacity of the LDCs to reap the potential benefits from the URAs would entail building up their supply capacities to produce exportable goods and services on a competitive basis. This, in turn, will require, as pointed out by the outcomes of the Mid-term Global Review and UNCTAD IX, national actions and longer-term bilateral and multilateral assistance focusing on improving policies conducive to trade creation and overcoming supply-side impediments.

3. In this regard, the Trade and Development Board reaffirms the outcomes of the Mid-term Global Review and UNCTAD IX as they relate to LDCs' trade and trade-related issues.

4. The outcome of UNCTAD IX, at para 83, states that: "UNCTAD's work should be geared to the special needs of developing countries, particularly the LDCs, and focus on development issues. It should be action-oriented and provide guidance on national policies and on an enabling environment conducive to trade and development". Integration of LDCs into the world economy and the international trading system would entail the development of export capacities to produce tradeable goods and services on a competitive basis. In this regard, the Secretary-General of UNCTAD is encouraged to elaborate UNCTAD-wide integrated country-level programmes for selected LDCs by pooling the contributions of its Divisions, in accordance with the priorities identified by the LDCs concerned.

5. UNCTAD should closely collaborate and coordinate with the concerned organizations, such as WTO, ITC, World Bank, IMF, UNDP, UNIDO and other development organizations in the design and implementation of the above activities to ensure coherence in policy advice and support.

6. The Trade and Development Board asked the secretariat and the Commissions, in carrying out their tasks, to pay particular attention to the special needs of the LDCs. In presenting their reports to the TDB, the Commissions should, wherever possible, seek to highlight the results of particular relevance to the LDCs.

7. The Trade and Development Board also asked the enlarged Bureau to consider the future method of work of the TDB in conducting annual review of progress in the implementation of the Programme of Action for the LDCs in the 1990s with a view to facilitating an in-depth discussion of this item in the light of the priorities established by UNCTAD IX.

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Sessional Committee I

PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990S

Draft Chairman's Summary

Introduction

1. Sessional Committee I of the Trade and Development Board, in accordance with General Assembly resolution 45/206 and the outcome of UNCTAD IX, conducted the sixth annual review of progress in the implementation of the Programme of Action for the Least Developed Countries for the 1990s, with the Least Developed Countries 1996 Report and its Addendum as the background documents. I wish to place on record the appreciation expressed to the UNCTAD secretariat for the excellent quality of this Report which contained very useful information and analyses and which was of particular value to the Governments of LDCs and their development partners.

2. The Committee also had an informal exchange of views and a fruitful debate on recent initiatives in the area of external trade and external debt of LDCs. The participation of high-ranking officials and experts from LDCs and their development partners in the meeting significantly contributed to a constructive dialogue. My summary of the Panel discussion is contained in Part III of this Report.

Recent growth performance

3. It was noted that the LDCs as a group displayed modest economic progress in 1994 and 1995 after many years of stagnation or deterioration. Of the 48 LDCs, 14 were estimated to have experienced strong economic growth in 1995, with GDP growth rate of more than 5 per cent. It was encouraging to note that the most notable improvement in economic performance occurred in African LDCs. As indicated in the LDCs 1996 Report, the overall improvement in LDCs economic performance was due to a combination of factors including progress made in enhancing political and social stability in some countries, the benefits accruing from domestic economic-policy reforms, improved commodity prices from about 1994 and favourable weather conditions. The efforts to implement more prudent fiscal and monetary policies designed to reduce macroeconomic imbalances also contributed to lower inflation in several countries and the return of investor confidence. However, despite these overall improvements, it was noted that a decisive reversal of LDCs socio-economic deterioration is not yet in sight.

ODA and debt

4. The continuing decline in overall ODA/GNP share to LDCs, which in 1994 were less than half of the aid targets and commitments set at the Paris Conference, with fewer donor countries meeting those targets than in 1990 is a matter of serious concern. The improved aid performance by some donors was welcomed and donors were urged by LDCs to make further efforts to fulfil the ODA targets and commitments undertaken in the Programme of Action and reaffirmed in the Mid-term Global Review and at UNCTAD IX.

5. A number of LDCs had made strong efforts to attract foreign direct investment through the liberalization of their economies and the provision of enhanced investment incentives. This notwithstanding, the level of foreign investment inflows had not been encouraging. The need for other initiatives with support from the international community to make increased inflows of FDI to LDCs a reality was stressed. This should include assistance to address fundamental problems regarding domestic capacities including the development of the domestic infrastructure and the strengthening of supply-side capabilities. Other areas stressed included strengthened domestic regulatory framework and improved market access.

6. The debt burden of LDCs, particularly those in Africa, remains exceptionally high and is a serious constraint to their development. Of particular concern is the increasing share of multilateral obligations in the overall debt stock and debt servicing of LDCs. In this connection, the considerable progress which has occurred during recent weeks in addressing the debt and debt servicing problems of the heavily indebted poor countries is encouraging. Of particular significance is the concerted commitment by the international financial community and the Paris Club to take additional action to reduce eligible countries' debt burden to sustainable levels where the full use of existing debt relief mechanism is unlikely to provide sufficient relief. The LDCs emphasized that the effectiveness of these initiatives will depend on the nature of the eligibility criteria and the flexibility with which they are applied. Non-Paris Club creditors were also encouraged to take similar measures to alleviate the external debt burden of LDCs.

External trade

7. The outcome of UNCTAD IX highlighted the challenges posed to LDCs by globalization and liberalization, as well as the need to provide support to these countries to help them overcome the risks of further marginalization in the process. Enhanced access to expanding global markets require efficient production structures capable of meeting increasingly exacting demands in terms of quality, cost and delivery structures on international markets. These requirements contrast sharply with the salient characteristics of the LDCs' export sector, which include serious lack of diversification and widespread shortages of entrepreneurial and managerial skills, technological capacities, physical infrastructure and support services such as finance, marketing and insurance. Integration of the Least Developed Countries into the world economy will require concerted action by the LDCs and the international community. In this regard, attention is drawn to the agreed conclusions of the Sessional Committee.